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GOVERNOR'S COUNCIL FOR PEOPLE WITH DISABILITIES

ANNUAL CONFERENCE

"INVEST IN PEOPLE: SHARE IN THE PROFITS"

AFTERNOON BREAKOUT

PATHWAYS TO PROSPERITY

PRESENTERS: SHERYN KERBO AND JACQUELINE TROY

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>> Welcome to Pathways to Prosperity. This is Sheryn Kerbo and Jacqueline Troy. If you could keep your surveys and fill them out at the end. There's a bag of candy!

Pathways to Prosperity: Economic Strategies to Success. Sherwin Kerbo is currently an Asset Development Coordinator for the John H. Boner Community Center. She handles 200 individual accounts ensuring they meet the strict state and IDEA program rules. They work with hard working families to evaluate their current financial situations to help them achieve their goals. Her consultative approach and regular followup with the families that she serves ensures that families are well-informed and able to meet the future goals, which we all know is so important.

Prior to working at the John H. Boner Center, she worked in a property real estate manager industry. Her gregarious personality -- that's a big word this time in the day -- and strong desire to serve her tenants allowed her to provide customer service that went well beyond what was expected her. This is evidenced by an increased

occupancy rate with her properties, a strong retention of her tenants and numerous awards for her contributions to the team.

While living in northern California, Sheryn was a member and helped several offices with Pittsburgh, California chapter of international and several other organizations that she felt passionate about. She brings that same passion and commitment to the work she does serving the families of the near east side at John H. Boner Community Center.

Jacqueline is a hoot, I'll tell you that right off the bat. These girls leave me chuckling. Jacqueline is the Managing Administrator of individual's Individual Development Account, IDA Program Administrator for the Policy and Research Department of Indiana Housing and Community Development Authority. Jackie manages an annual portfolio of 3 to 5 million, and her duties include policy making, compliance monitoring, grant applications review, program development and grant disbursal. She was the Grants Director for the Greens Family Foundation, which is a nationally recognized family foundation whose annual contributions exceed 20 million. Welcome, ladies.

[Applause.]

>> Real quick, I'd just like to say my bio was longer. I only handled 200 accounts. She handled millions. I needed to say more. Thank you very much.

>> Just make sure the moderator can say the words.

>> I want to say I'm very low maintenance. I'm very personable. I hope you don't fall asleep. This is after lunch, which is why we brought the candy bag in. If you need a sugar fix, I'll have Mary work it around if you haven't got to it. There's some sugar -- for those of you who may be diabetic, there's sugar-free. I actually like the sugar-free stuff.

We're here to have fun and hopefully be informative.

So first and foremost, before we start, I just quickly want to -- if you want to come up, you can come up, but I want to quickly sort of gauge from everyone why you came here today, what you hoped to learn from us. If anyone wants to share that with us real quick? I just want to make sure that I address all of your needs in our presentations. And if we don't actually go over in the presentations, we can circle back in the end. Do you want to volunteer why you are interested in coming to this particular?

>> Couple things. Personal money management and also helping clients manage their assets in light of you can only keep so much and finding some ways to tuck the money away.

>> You say you are a case manager?

>> My department does that, yes.

>> Okay. Perfect. Does anyone else want to share?

>> I need to learn how to save.

>> We all do. This is a poor economy. I'll start with you. Let me start off by saying a little bit more about myself. I'm with the State, so there's certain things I can and cannot say. So keep that in mind as I present. Because I am an employee of the State, and I work for the government. I think you guys can intuitively understand what I say here.

Sherwyn is one of grantees. It's for Hoosiers that are under 175% of the poverty guideline. We will go through that at the end of the presentation. So she administers that program at the local level. So you have a view from the state, a view from the actual local grantee. And part of what we do with our program and part what we instill is financial literacy. We're very strict about this.

So what we talk about is financial literacy and asset building in general.

So, does anyone else want to share with me before we move on why they came? What they hope to learn? Does anyone need to do a jumping jack or stretch before we move on? Okay. Well if you need to, there we go.

>> It's the sugar.

>> Jacqueline: I know everybody wanted to go to the yoga thing that was very popular. I appreciate you coming to talk to us instead. But if you want to exercise that right very quickly.

>> I go back and forth. I want to be able to hear that and this, too. I can't be two places so I have to go back and forth.

>> Not bad. Not a bad thing to do.

So very quickly. We're going to start off, I'm afraid I'm going to quiz you. I would like to know, if this works, how financially literate are you? I'm going ask you guys a couple questions. All I want you to do is raise your hand when you think you hear the correct answer. Is everybody ready? Yeah? Need more sugar before we start?

>> So true or false. Indiana is one of only 13 states

which do not have high-cost payday loans. Who thinks that's true? Everybody who said that was false, you are correct. Give yourself a piece of candy.

>> I got the whole bag.

>> Jacqueline: Next question. There are three ways to calculate interest. True or false? Who's too afraid to raise their hands? It is false. There are two ways to calculate interest: Simple, compound. You guys knew that, I know. Your mind's just not going there right now. I understand.

Okay. Next question. Checking accounts are taxable accounts. True or false? Who thinks that checking accounts are taxable accounts? Who thinks that they are not? Who's too afraid to raise their hand again? It is true. You are taxed on the interest that you earn on a checking or savings account. Many checking accounts that you have these days, they actually earn a very minimal interest rate, but they do earn interest. And up to a certain extent you are actually taxed on that interest. So you guys are doing okay. You're doing okay. Not too bad. Two more questions then we're going to move on.

This one will be a little bit harder. This is a

multiple choice. Everybody ready? Many savings programs are protected by the Federal Government against loss.

Which of the following is not? In other words, which of the following is not going to be insured: A) a bond issued by one of the 50 states. Every state has a state-issued bond.

B) a U.S. Treasury bond.

C) a U.S. savings bond.

D) a Certificate of Deposit. (A) was a state issued bond.

Who thinks A is correct? Who thinks B, treasury bond, is correct? How about C, savings bond? How about D, Certificate of Deposit? You guys are doing pretty well. It was A. So the only -- so treasury bond, a savings bond and a certificate of deposit are all insured by the FDIC, which means if you're interested right now in a small type of investment, those are great ways to go.

Now, it's not to say you can't lose money in terms of it's still a gamble and there's some risk involved, but should that bank collapse, you're insured. You're federally insured. Does that make sense? You're doing good.

Okay. Last question. Which of the following instruments is not typically associated with spending?

- A) cash.
- B) credit card.
- C) debit card.

Or D) CD. How think it's A? How many think it's B? C? And D? The majority of you are correct. So CD is not a liquidated form of cash, right? We can't quickly liquidate it or go to an ATM and get some cash out of that. With a credit card, a debit card or cash, you can.

You guys can raise your hand if you want. How many got all 5 right? Did anyone get all 5 right? You did? All right. Can you get my friend some more candy? A big handful.

How many of you got 80% right? 4 out of 5? Good. How about 3 out of 5? 2 out of 5? Don't be embarrassed. 1 out of 5.

I will share with you some statistics. This particular questionnaire I just gave you is part of a jumpstart questionnaire that's given to high school seniors across the nation annually. And over two-thirds of them fail each year. So there's a reason why I gave this to you. It's to

say that as a nation, we're not the terribly financially literate right now. From the youth to adults. And it's not to say that we're not smart. It just means that we don't have -- we're not as knowledgeable as we can be and particularly when it comes to our savings, savings instruments and general financial literacy. So you are on par with everyone else. So, go on. All right. So good job, everyone.

>> We talked about how financially literate you are. Now we're going to talk about how financially literate we are as a nation.

On the average, every family in the United States spends \$1.22 for every dollar they make. That means they're spending 22 cents on the dollar for every more than they have. So where's that probably going? That's going onto credit cards or payday loans. It's going somewhere. They're spending it. It's horrible.

20% of families with incomes less than \$50,000 a year are spending over 40% of their after tax, or net, gross, on servicing debt. Yes.

>> Do these numbers include mortgages?

>> Jacqueline: It does not. Well, that does. It's

40% of your debt. Which means typically a mortgage is only supposed to be 28% of your gross. This is saying over 40%. So if I bring \$1,000 a month, \$400 of it is just going to service credit cards and loans. That's huge. That doesn't leave much for living.

In 2003 right now the average American -- the last statistic is 2003. Right now, the average American holds almost \$9,000 in credit card debt. If we add up our credit card, divide by the number of people in here, on average we will have \$9,000.

>> Can we ask questions? I guess I'm unique. I don't want to sound conceited or anything, but I feel out of place in this room. I guess I don't use credit cards right or something because I'm not in debt with a credit card right at the moment. And I was taught by my parents that if you had the cash, buy it; if not, don't do anything. That's probably why I don't have as much as I should have. Because I use credit cards very sparingly.

>> Jacqueline: That's great. Do you have a credit card?

>> Yes.

>> Jacqueline: Well, the difference between you, sir,

and the average American is that you have the ability to control impulses. Most of us, if you look at marketing -- did you ever go to like a Village Pantry gas station and you go to pay for your gas? Coincidentally right there right next to you is always that lip balm or that piece of candy. They put these -- strategically put these things by the registers because they know it's impulse buy. You don't need it. But you're sitting there. You're waiting. You have nothing to do. You're waiting for the other person in front of you to pay. Oh yeah I could use this. You buy it.

Sir, you're going to be on one end. And then on the other end you're going to have somebody that might have \$20,000 in debt. But average we're going to be about 9,000 collectively.

>> Just a followup to this. Isn't the debt caused by the -- are you sitting at home watching TV at night and all they do is sell debt on commercials? Isn't part of the problem that they sell it so much on commercials and want you to get debt counseling, want you to get out of debt, I mean just selling credit can encourage debt. If they would stop, wouldn't that help?

>> Absolutely. But what are they in business for? They're in business to make money. That's their business. If they put it out there, they know you're going to succumb. You're going to make that impulse purchase. You're going to call and get that credit card.

Now, I can't go into this too much, but that's why there does need to be some more legislation in terms of lobbying to curtail like capping off the percentage on payday loans. I'll get into that a little bit later about what the average APR on a payday loan is. Some states have put a cap at 30%. Indiana does not. Which in my own opinion is quite shameful. But that's as an individual but not as a state employee that's saying this. I have to clarify that.

So absolutely. But they're in the business. Unfortunately they have more money than we do which means they can do more marketing. That's a great question. And I want to even address that furthermore when we begin to talk about taxes, EITC and Vita sites.

Over 2 million people in 2005 filed for bankruptcy. That's huge.

The average American household, nearly 2 out of 3

people will never realize their dreams. That means you may have wanted to go to college, you may have wanted to get that bachelor degree, you will never get it. They will never realize their dreams because something else might come first. They will have children they might not have planned for. Something will come up and they'll never realize their dream.

Over a quarter of all Americans do not feel well-informed about managing their household finances. I mean, that means when they come home at night, they really have no idea. And mind you, these are people that have children. And it's okay. And we're passing this on to our children, which means that it's just becoming this cyclical effect.

And over 40% of Americans feel they have not saved enough money for retirement or have saved. That means 53 have not. Can I poll folks in here? I'll include myself in this. How many feel like they've saved enough for retirement? How many feel they have not?

>> Not even started.

>> I'll just share with you. I'm only 30 years old. I have a 401. I have an IRA. I have done these things

because I know that I'm at least somewhat savvy enough to do these things. But it's not nearly enough. You're supposed to put between 5 to 10% I'm not anywhere close to that. But because of my age, I feel like oh, I have time, right? And that's what we all do. We think oh, we have time. And we keep pushing it back until it gets too late. And then you're oh my God. I'm going to retire in two years and I have no money.

So what does this mean? We know from statistics that in general, America is not terribly financially literate. That's what we've learned. So what does that mean?

That means the cost of financial literacy, of illiteracy, is outstanding. That means we're going to have more questionable investments. Let's talk about the mortgage meltdown. How many foreclosures are on your street? I live in Irvington, which is on the east side here. I think there are probably three foreclosures on my street. Everywhere you look. In fact, over 50% of all foreclosures for the state are actually in Indianapolis. Crazy. For the entire state. Half of them are here in this city. That means there's more identity theft. That means that you're going to have the not so golden

retirement years, right? Because we will all have to work 40 hours a week. That means we're going to have higher costs of borrowing and spending. You will have higher debt balances and higher health costs. And higher costs of living in general.

I went to -- I'm part of this national leadership group on asset development. And we are in New Mexico back in May. One of the first things we did as an icebreaker is we were asked to think about an item that let us to do -- that made us so passionate about what it is we're doing right now, which is for me asset building and financial literacy. I'm not going to share with you what I brought. I'm going to share with you with what a colleague of mine brought, which I never thought about before.

He came up and he showed us a Sam's Club card. And I thought that's interesting. What does the Sam's Club card have to do with things? And he told us the story about when he was a young kid, he was home. His mother asked him to go to the garage and go bring in some Coke or Pepsi, some type of soda into the house.

His friend went out there with him. He saw this huge closet, just stacked to the ceiling. All these boxes and

boxes of Cokes and huge things of paper towels. Toilet paper. All these huge bulk items. And his friend just sort of looked at him and said "do you own a store"? And he said, "No. We shop at Sam's Club." And this kid, this friend of his, who is lower income, had no idea.

Now, mind you, it was about 25 years ago. And it wasn't exactly Sam's Club. I think it was Costco, I don't know what it was back then. But same idea. His friend just sort of looked down and said I have no idea what you're talking about.

What he realized is because he was middle class, he was middle to upper income, he could actually buy goods at a lower cost than the lower income. And when I heard that story, I never, ever, ever put one and one together and realized that. That because I am middle income, that because I have more money, I can actually buy things more cheaply than someone who is lower income.

And that story still sort of resonates with me because I really think about it. Wow, it really makes sense. I have never thought of it before. When we're financially illiterate and when we don't make financially savvy decisions, it's going to cost us more to live than someone

who does.

Payday lending. This is one of my favorite subjects. Go back real quick. Don't look. Who can tell me what the APR for an average payday loan is. Go ahead, yell it out. The average APR, if you go to a payday lender and get a payday loan, what is the percentage rate, the APR you think you're going to pay on that is.

>> 55% I hear.

>> 18,.

>> 19.

>> 30:

>> 20.

>> Jacqueline: 459%. you're not even close. I'll repeat that. 459%. did anyone ever get to 100? I think the highest I heard was 55.

459.

>> How much is the booking charge? -- bookie?

>> Jacqueline: It's got to be illegal but unfortunately it is not. It is not illegal in this state. I mentioned to you there are a couple states that actually have capped how much a payday loan can charge, around 30%. Indiana is not one of them. Unless you contact the

Attorney General and you start making some commotion about it, it's not going to change in Indiana, either.

I once read a statistic that there were more payday loans in a five-city block than McDonald's. For the entire city. That there were more payday loans in a city than McDonald's. Which we know McD's is everywhere. We all love mD's.

>> I believe it.

>> Have you ever gone to a strip mall and seen two or three payday loans places in the same strip mall and ever wondered how they stay in business? But yet they're always people walking in and out of the stores, right? It's crazy.

In general, who can tell me what a payday loan is?

>> Let's say you're waiting for your check to come, you can get a loan for your salary, basically.

>> That's right. So it's a short-term loan. Usually you have to pay it back within two weeks before you even walk away from that center, you have to give them a check that they're going to hold for you because they're so kind. They're going to hold it for you for two weeks. And say if you have this money in two weeks, we will go ahead and cash

this, right? They're not so nice. They're really not.

And so interestingly, the most likely borrowers are women. That's me. Minorities. Renters. Below median income. Only has a high school education. Is there anyone in this room that doesn't fit into this category? I fit in there. Is there anyone that does not fit into one of those categories in this room? One. That's telling something. This is who they market to. These are the folks who are most susceptible to it.

How it works. I'll have to read you my notes.

So if you have a gross income or a biweekly -- gross meaning before taxes -- of \$1346. Less your taxes of \$120, you will have a net income of \$1226. I have \$963 in expenses. That only leaves me with \$263 left at the end of the month. I go to a payday loan and I want to borrow \$500. Hmm. Guess what? I'm supposed to pay back 500 in two weeks. I did a loan of 377 in here. I don't have enough money. I borrowed more than I can pay back. So that leaves me with a deficit of 114. So what do I do? Who tells me what I do in that instance?

>> Borrow again.

>> I go back and say, "I don't have the money with me

right now. I'll have it in two more weeks." So what do you do? Who can tell me? Because they are our best friends, they are so nice, what they do is they charge us a fee, which is a fee for them being nice, and then an APR on top of that.

So I borrow this money. I go and say, "I can't pay you back." They say, "Well you can just give us this and pay us back in two weeks."

What happens is -- let's go to the next slide real quick and then we'll go back.

If you look at the actual statistics, 90% of payday loans went to borrowers who have five or more transactions a year. 90%. What's more sad is only 2% of borrowers that walk in there can actually pay that loan back in two weeks. So it keeps on compounding, right? The interest keeps on compounding. The fees keep on compounding. So we end up at the end of the day, they may advertise 4%. This is what you see. 4%. That's not bad. But they know you can never pay it back, you end up paying 459%.

Now, if you knew that before you went in there, would you still go in there? Well, let me backtrack.

So the first time I really noticed something was --

last Thanksgiving my mom came and visited me. And because I'm a work horse, I was actually in the office on the day before Thanksgiving to about 9:00 trying to get things all settled down. I drive back to my house. I take Washington Street out. There is a payday loan on I want to say Sherman and Washington Street. I was pulling up to the light and there was all this traffic that was backed up. This is the day before Thanksgiving. Which means what? It's two days before Black Friday. Everybody knows what Black Friday is? Big shopping, right?

So there's all this traffic that's backed up to the point where people cannot even pull into the parking lot of this payday loan. And at first I'm thinking to myself what is going on? And then I realize guess what? Black Friday. People are going into here so they can get the really good deals on the plasma TVs. They will buy them \$1,000 TVs for 500. And great gifts for their kids. They will end up paying four times what they borrowed.

So if you knew going in that yeah I'm going to borrow 500 and buy a plasma TV, but because I can't pay that money back, I really end up paying \$2,000 for that \$1,000 TV, would you still buy it? No. But people don't think in

those terms, right? So it's why we have to educate people and explain to them. They are not your friend, people! They're very nice, but they are not your friend. Repeat that to yourself. They are not our friends.

>> About the payday loans. Do you have to fill out an application process? You just say you want it.

>> Do you have a paycheck? You get a loan. In fact, it's to the point now where for those who even have unemployment, if they just collect an unemployment check, if they can go in and show them an unemployment check, they're getting a loan.

>> You have to have a checking account, then you can have a loan. That's it.

>> So what I'm going to talk about is how we start saving some of the money that we have, not letting it go. See that guy in here? It says chance. Do not pass Starbucks. Do not spend \$8. I myself love Starbucks coffee. My favorite is Pike. Who else likes Starbucks? Do you have a favorite blend?

>> Ice coffee.

>> Anyone else like Pike?

>> Never had it.

>> It's just their regular. I don't do the Latte, patte, pootay, I don't know how to call it out. All I know is a good robust cup of coffee.

So here I used to stop. I also live on the near east side. And I would leave my house, go up to Mass Avenue and then circle around to the Boner Center, which is on the corner of 10th and Jefferson. But then I said, "This \$1.85 is killing me." That's five times every week. I just get the tall. Everyone knows what I'm talking about. Why can't they say small? Small, medium and large. What is it? Tall, grande and something else. So I buy a bag of the Pike Pie Place, I believe that's what it's called, \$9.99.

Now, I already have my travel mug. So here's what now happens. I can have my Starbucks at home. Two cups at home. Put the other two cups in the travel mug and I'm on my way. That one bag can last me a month. So, there. I've made a savings. Can anyone else see that? Who stops at Starbucks every morning? All right. She does. But you could make it at home now.

Now what we're also going to talk about is right here it talks about financial literacy. What you need to do.

Once you understand your money, how money flows in your life, not your neighbor's, what makes you tick, how it works for you, basic economic and financial concepts, your debt and how to manage it without taking risk, it would allow you to maximize your earnings and build wealth.

I know you say well building wealth, but you can. We waste so much. The same example Jackie gave on running into the Village Pantry. I myself have a bad habit of you run in, you pay for your gas. Your mouth is dry. You buy a soda. You buy chewing gum. What's that? \$1.20 for the soda, chewing gum 89 cents. I remember the time when the pack of gum was 10 cents. I'm telling my age. But everything, there's a cost to everything.

So some of the ways that you can save money is that impulse buying could stop.

How many here are content with the way you handle your finances? Does everyone here have a budget?

>> Jacqueline: About 10%.

>> Yeah. What do you think? Who does not have a -- who has a budget and what do you think you could do to make it better? Is there anything?

>> I tend to leave out some of the unknowns, like maybe

car repairs. I tend to just do the knowns. I tend to not plan for maybe the unexpected.

>> Have you thought about this in your budget? How many children?

>> Two.

>> When are their birthdays?

>> The year?

>> No, months.

>> Both in September.

>> Are those in your budget? All year. Okay? That's really an unexpected expense.

What about nieces and nephews? Graduation? Their birthdays?

>> Jacqueline: I have one. I need a new furnace. My furnace went out. What do I do?

>> Have you saved for that furnace?

>> Jacqueline: No.

>> I think you'll be cold. No.

[Laughter]

>> Do you have any suggestions on what you might do?

>> Jacqueline: So one of the things that we try and teach -- how many homeowners do I have in here? I have at

least a couple. How many of you have had to replace your roof or a furnace go out or water heater go out? Something unexpected? I had to call a plumber two weeks ago. Truly, I did.

One of the things that we have to think on in our program, we try and teach homeowners, particularly post purchase, is that there are certain things with our home that we know are not going to last forever. I know that my roof is not going to last forever. Now, I do have a 100-year old home. But luckily I do not have a 100-year old roof. I know that there's a life on a furnace that is probably not going to exceed 15 years. On a water heater, probably not going to live past 10. There are certain things I know.

So one of the things that we try and teach our folks is that at the beginning of the year when you're starting your budget, think about the life. What year is your furnace now? What year is your water heater now? How much life do you think it has? If your water heater's six years old, and you know it's only going to live until 10, how much is the cost of the new water heater? \$500. Does anybody have a calculator? So then what you would do is take 500 and

divide it by 4 times 26. Assuming you're paid 26 paychecks a year, biweekly, you take four times 26. That's how many months you will take 500 divided by that number is probably going to mean you will put aside about \$2 a month.

So in four years when it's time to replace that water heater, you have money for it. And you do that for all those expenses on your home that you know are not going to last a lifetime. And there's actually a grid that we put together.

By the way, if any of you guys are interested after, I have some cards here, business cards if you want to contact me, I can forward you a copy of that sort of grid. You can write down all these things. What the age of your current appliance is. How long the life of that appliance should be. How much time you have left before you think it's going to be repaired. What the cost of a new one is. You can add some money for inflation. What does that mean monthly?

If I say to you you only have to save \$2 a month. That's far more manageable, right? Then all of a sudden I have to come up with \$500. That's what you need to begin with either your husband, spouses, children, your clients

depending upon your reason for being there. It makes it far more manageable than you think of it in those terms.

>> And I'd like to just go back. We can't go back to the screen, we'll mess up. But it said financial literacy is: The ability to effectively evaluate and manage one's finances in order to make prudent decisions toward reaching life's goals.

So in essence, if you feel like right now, oh, well all my finances aren't great, you teach yourself, you learn, you read.

What I said about the budget about later on about the birthdays, a lot of times there's things we do automatically. They're not in our budget. And then we wonder why all of a sudden we just don't have the money to do the next most important thing. It's not in our budget because we don't think about it as something to put in the budget. These are things that happen. Birthdays. Graduations. Sometimes unfortunately a funeral. But there's a lot of things that you really don't think about as being important at the time. But as Jackie says, beginning of the year, just sit down and think about everything that you do. And make a place for it. Also pay

yourself first. The very bottom thing there, but it says pay yourself first.

>> Jacqueline: I'm fired.

>> This is my favorite. I want everyone to take a few minutes to read it here. There is a very strong relationship between feeling in control of your finances and feeling happy about your finances and happy with your life. Control over your finances plays a bigger role in determining your life's happiness than being in control of your job, your health, your friendships and your weight.

>> Jacqueline: Does everybody understand that? So in other words, this was actually a poll, through a quantitative and qualitative group that was done through a group of IDA participants. They asked them about their feelings towards finances, how they felt in general towards life, whether they're happy, whether they weren't.

What they finally figured out is people, when they have more control over their finances, are far more happier than individuals who are wealthy who have maybe gorgeous -- it doesn't matter. When you have control over your finances, it actually, there's a cause and effect relationship to happiness.

Has anyone experienced that for themselves? Can anyone share?

>> I can share. Jackie sent me the copy of the PowerPoint. We did this presentation about a couple of months ago. At the time that she sent me the copy, I read this right here and it was like something automatically hit me. It's like you get paid every two weeks. You write out your bills. And then you go into that week that the paycheck doesn't come and there's something that pops up. Or a bill that you just didn't budget for. And let me just tell you. I struggle myself with a budget. So it's not like I'm preaching to the whatevers.

So, I find myself feeling down and out, depressed, can't concentrate at work, snappy. And it's all due to not being able to pay a bill.

>> Jacqueline. I'd throw moody in there, too.

>> Oh, and moody.

So sometimes we don't think about it, but when you really sit and think right now, when you have everything in control -- and unfortunately a lot of it has to do with money. But when you're in control, can pay the bills, have a little over in your wallet, \$5 or \$10 left that you don't

have to touch and you can always say well I have \$5 or \$10 left, everything's okay. But when you don't have in the middle of that second week, things start to unfold. I know it happens to me.

>> I just want to share something. My dad, my precious dad, he died back in 1984.

He was a guy that never -- he would talk about his kids to everybody else. He would never compliment his kids, though. In other words, what he might think of you might be wonderful, but he'd never tell you. But I got it through the grapevine that he told people -- "I never know what Harold has, but he's always got something."

>> Well, Harold, your name is Harold?

>> Yes.

>> We now know that you do have something because you don't have credit card debt. You do save wisely. Didn't you tell us that?

>> Well, I'd like to save better. That part's not solved yet exactly. But the good news is I'm not in debt. So at least I can pay my dues.

>> Jacqueline: That's excellent news.

>> Better than most.

>> We're not quite yet to the top of that yet. We're not there yet.

>> But after today, we are.

[Laughter]

How many here have heard the old saying "money is the root of all evil."

Do I have any comments on that? How many agree?

>> Jacqueline: I'd agree. I deal with too many people.

>> I disagree. Do you know what my thought is on that? It's not the money.

>> It's the greedy people.

>> No. It's how we control we have over the money.

>> It's like the 459% for the paycheck. It's back to greed. It's greed.

>> So again it comes down to the choices that we make on how we spend our money, how we save our money. Jackie, do you have a comment? Again I'm fired.

>> Here we talk about the tradeoffs between a career and education and more. There we have, I can't see sideways. We have a young lady that looks like she's starting off to school. When you first start off to

school, what's that, kindergarten, then we go on to graduation, pondering what to do with your career. The next young lady looks as if I'm not sure if I want to be here. And then it looks like higher education right here on the bottom there.

>> Jacqueline: So in other words what we're talking about here is that there's always a tradeoff.

I'm generally quite -- I project quite naturally but just in case. In other words what we're talking about here is there are always tradeoffs in life, everything we do. It might be you're trading off a career. You're settling for a job that you really don't like. But you need a job.

Let's face it. In these economic times, there's not a lot of choices, right? We need a job. We need income, we need to live. There might be a tradeoff of do I take care of the kids? Do I go off to school? Do I get my master's degree or do I keep what I have? My bachelor's. There are always tradeoffs.

But depending upon those choices, because we discussed this earlier, we all have choices. Everything we do, we have a choice. But depending upon the choices we make, there is a direct correlation between the choices we make

and the tradeoffs, our level of education and the income that's coming in.

A person with a high school diploma makes I think it's 24% more than a person who doesn't have a diploma at all. A person with some college over the lifetime, a person with some college over the lifetime will make I think it's 35% more than a person who hasn't at all. A person with a Bachelor's degree will make over a million dollars more in their lifetime than someone who doesn't have one.

So there is absolutely a direct correlation between our level of education and the amount of money we make. And that all goes back to what are we trading off for that education for that money?

>> How many hours does it take? You see when we go shopping, motorcycle, grocery shopping, a new car, has anyone really thought about what it takes, when you're going to shop, other than money, what it really costs you when you're thinking about purchasing something?

>> Jacqueline: Who's gone on vacation this year? Four people. When you went on vacation, did you get paid vacations?

>> Yeah.

>> Jacqueline: Does anyone in here have a job where they get unpaid leave?

>> I do.

>> Jacqueline: I think the statistics is about a quarter of the nation, the workforce, does not have any type of paid vacation or benefits. Actually might be higher. That's pretty conservative.

So when you think about okay, I want to go to Hawaii. I've never been to Hawaii. It will cost me \$5,000 to go to Hawaii. Well, what we want you to think about is other costs. You're not just spending \$5,000. You're losing a week's worth of pay. You have to start thinking about things in bigger terms. Because it's much more than just how much is it going to cost me cash wise? How much time am I going to spend to go to Hawaii? If that's \$5,000 and I get paid \$5 an hour, how many hours do I have to work to go to Hawaii? Plus I'm losing a week of unpaid leave. Does that make sense?

So what we want you to begin thinking about is there's some things that we have to buy, right? There are other things we don't have to buy. And when you begin to think about those things and you begin to budget possibly to

purchase those things, start to think of outside of how much is going to cost me? But think about really what does it cost beyond the cash value itself?

I am so fired.

>> And my dear friend Jackie has worked up this chart because I don't know how to do that stuff. How much time does your money buy? The number of hours needed to work based on a salary of -- let's look at the very first one. \$15,000.

A pair of air Jordans. One pair of air Jordans you have to work 20 hours.

>> Assuming the air Jordans cost \$100.

>> The Wii, Nintendo Wii.

>> She works a week and gets paid for vacations.

>> Jacqueline: That's a week without paying any other expenses. You're not paying to live. You're not paying your house. You're not paying utilities. Your food. This is just a week on top of that that I had to work to buy that Wii.

>> Which is why we don't have one.

>> Jacqueline: Very good. Mary, give her a piece of candy.

>> Two Colts' tickets. That's two tickets. But that's the nosebleed section, isn't it?

>> Yes.

>> 27 hours. So you will have to work 27 hours.

>> Last night's game, did you stay up and watch that?

That was a good game.

>> Dinner for two at St. Elmo's. 28 hours.

>> That's for a dinner. Just one dinner.

>> That's for one 2-1/2 hour event.

>> Oh, that sounds good.

>> A three-day vacation to Hawaii. Family of four.

You'd have to work 552 hours.

>> Jacqueline: How many weeks is that?

>> You'd have to work 13 weeks.

>> Jacqueline: And not have any money for 13 weeks.

>> The 52-inch plasma TV. 207 hours.

>> Can't afford to plug it in.

>> That's about five weeks.

>> I got a box with a TV on top with my apartment.

>> That brings up a great point.

>> And you have to pay for it. The bill.

>> Jacqueline: When you have some of these luxuries,

but I could still have a 52 inch TV. Does it have to be plasma or LCD? I could buy the projector screens? The big projector ones that are going to probably cost half as much. I could probably get one on Craigslist for free. Nobody wants them anymore. So we could still have some of these things. We just have to make smarter choices.

So what I want to do -- do I have anyone who is just a math prodigy in here.

>> Can you tell me how do you calculate an annual percentage rate on a credit card?

Let me put it in better terms for you. If I have a \$2,000 balance on my credit card, which by the way we know is low, right? Because we learned that the average is almost \$9,000. If I have a \$2,000 balance on my credit card, my annual percentage rate is 18%. What is my actual interest that I'm going to pay on that? Does anyone know how to calculate that? I will buy you dinner if someone in here knows how to do that.

>> I know how to do that. Come on up. Come tell us.

>> I think it's three or five or four. Sometimes it goes higher in the balance.

>> Oh the balance changes. Yes, the balance does

change.

>> That changed.

>> So let's make. Let's say it's 1,000. If I say if you have \$1,000 balance and your APR is 18%, what do you think that is? Do you think that that's \$180? so it's just 18% on a thousand dollars. How many people think that's right? How many people have not a clue? How many people think that's wrong? Okay. You guys are wrong. I'm going to show you how to calculate this. Can you guys see or do we need some light back here? So I have \$2,000. This is my balance. My APR, my annual percentage rate, this is the interest that I pay on my balance, right? Is 18%.

Here's how we're going to calculate it. This is actually how they do it. So what you have to remember is that the APR is on the average daily balance compounded. So here's how they calculate it. What they're going to do is they're going to take the APR , 18%, which if you have a calculator is going to be .18. And you're going to divide by 365. For the number of days a year because it's annual. That's why it's called annual percentage rate.

Because I cheated ahead of time, I know this number. It equals -- what does it equal? It is .0493.

Now, what I do now is I take the average daily balance, \$2,000, and I multiply that times .0493. And that equals about a buck. That's daily. Well now we have to do this monthly because we get our bill monthly. So now we have to take this daily number, this \$1. Multiply it times the cycle, which in this case we're going to say 30 days. Most months have 30 days.

Let me come back to you. Let me finish this example.

So if we take approximately a dollar here. If I take a dollar times 30 days. That equals \$30. This is how much I'm paying in interest monthly. Monthly.

So now assuming that we're only going to pay the minimum balance each month, because let's face it most people do, this is just interest alone. We're going to take \$30 times 12 and that's going to mean you're going to pay \$360 year just in interest. That's substantially more than \$18, don't you think? They trick you. They're nasty that way. They like to trick people. They like to say it's only 18%. Because most of us are really good percentage. Our parents taught us when we were really young. 18% of a thousand dollars is 180.

Not so simple. They make it so that you can't figure

it out. So that you go spend crazy. You buy the motorcycles and the plasma TVs all the stuff we love and want but really should not have.

So if you knew that that \$2,000 -- and by the way, let's face it. This is going to continue to carry on. And I actually had two charts that I brought with me. And I've lost -- I was actually going to go through with you very quickly how long it would actually take you to pay off this balance. It's something close to 20 years. It's because if you continue to make these minimum payments because it's going to continue to compound, right? Unless I pay more, my actual balance remains the same. It's going to take me over 20 years to pay off \$2,000. Is that worth it to you? No! but we all do it, right? We don't? Well that's very good. Well most of us do that's why as a nation we have \$9,000 in credit card debt, crazy, right? She told me to stay up here real quick.

All right. So we've heard about ways, the tradeoffs. We learned about how much it takes to buy stuff. Now we want to actually learn about how we can earn some income. So what's one way we earn income? Throw it out there. Say it loud and clear. We work. What's another way? We

invest. Great. What's another way? Gifts. Gifts, a great one. Christmas and birthday, I love gifts. I don't know about you but they're my favorite time of year. What's another one? We can steal. We can steal. We can inherit money, right?

>> We can sell things on eBay. We can win the Lotto. I'd love to win the Lotto.

>> Saving is another way to get more money. You can save it. Earn interest on your money, absolutely. What else?

>> Social Security.

>> Self-employment. Formal wages. There's lots of ways. What about the EITC? What does EITC stand for? I have extra candy if you can. EITC. This is something you need to know. It stands for Earned Income Tax Credit. How many of you know about the Earned Income Tax Credit? Just a couple.

What it is is it is supplemental income for those that have lower wages. You have to work to get it. But because the government's nice, they don't want you to be poor or to have lower income. They want to help supplement. They want to encourage you to work. They're going to supplement

your income with an earned income tax credit.

Now, I think the percentage of folks last year that filed taxes that were eligible, there's over 30% of the folks that were eligible for the EITC, most likely because they did not file taxes at all. They were eligible for the money. They left the money on the table. And that, by the way, can be very significant money depending upon how many dependents you have. It doesn't change over I think it's three kids. It remains the same if you have three kids versus five kids versus 10. But it can be up to \$5,000. Would you like to have \$5,000? Free of cost. I would. Yeah.

Well this is what happens. They don't claim it. So this is another way for you to earn some income to help supplement your income.

Now, because we don't -- we like instant gratification, right? That's our nature. We're humans. We like that. It makes us feel warm and fuzzy. So we don't like to wait an entire year to get that. Well, guess what? Good news. You don't have to. There's such a thing as an Advanced EITC. Who can tell me what an advanced EITC is? Anyone? No?

If you know you're going to qualify for the earned income tax credit, you can fill out a form -- and I have some information for you if you come up and see me later I can give you -- it's a specialized form that you can go and give to your employer. And what they're going to do is they're going to give you up to 60% of the amount you would qualify for at the end of the year throughout the year on your paycheck.

So it means if you would normally get \$6,000, which is very, very high by the way, I'm trying to get even numbers. Then they might give you an extra \$60 every paycheck. That's going to add on. Or \$100, whatever that number is. Add it on your paycheck biweekly. And the remaining 40% you'll get on your taxes because they want you to file your taxes. That's your reward.

So if you're struggling throughout the year now and you know that you're going to qualify for EITC, this is a nice way to help supplement things for you.

Any questions about that?

>> I work as a receptionist part-time in a tax preparation office.

>> Jacqueline: I know where you're going with this.

>> I just cry because of the people who come in before Christmas and get a Christmas loan against what they think they're going to get.

>> Jacqueline: Refund anticipation loans. And then they come back after the first of the year and they get, when they can show their last paycheck stub, then they get another loan. And then when they actually file their taxes when they get their 1040 or whatever it is.

>> Jacqueline: Their W2s.

>> They have paid as much as 80% in interest on that money. And it's mostly the people who are getting back because they think --

>> They prey on them.

>> The government's giving it to me. How much they give for recreation and all that, it is like robbery.

>> Can I ask who you work for? Is it someone you might know?

>> Yes, but I'm not going to say.

>> Is it one of the major?

>> Jacqueline: Yes.

>> There are several of the preparers.

>> H&R Block. They're robbers.

>> They are all the same.

>> Jacqueline: That's right. Who can tell me what VITA stands for? This is why I love you. If you can tell me what it stands for.

>> Volunteer Income Tax Assistance. Guess what, if I were a gambling person and occasionally I am, shhh. If I were a gambling person, I would gamble and say at least 60% of us in here would qualify.

What it is is this is a Volunteer Income Tax Assistance place. The Boner Center is one such site. If you go to IRS.gov, you can look who in your area throughout the country, you can bring in all your W2s and they will prepare your taxes for you for free. In fact, they can file it for you electronically, as well, for free. And should you not want to go out of your house because there's snow on the ground and we don't like to be cold, you can do it online for free. With software like TurboTax. If you go to IRS's website, they'll tell you exactly where to go. It's for free. Most people don't know this. So instead, I'm not going to pick on anyone. I'm going to pick on them all instead. They go to Liberty, they go to H&R Block, they go to Hewitt. They go to --

>> Wal-Mart.

>> Jacqueline: Wal-Mart does it, too.

>> All of the businesses are in Wal-Mart.

>> Jacqueline: They do. They go to all these places and on average they pay \$290.

Do you want to know why? Because the tax preparation itself is going to cost about \$150. And by the way, this is for what's called a 1040 EZ. That means that it's not a scheduled deduction. It's just straight up this is my income. I get to claim my 1 at the end of the year. I'm done. They will pay \$140 to do it. But because, again, we like instant gratification. We like to feel warm and fuzzy and like to see that money right away. They will say, "I want a refund anticipation loan," which is what this lovely lady was telling about, and they will pay another \$100 to do this.

By the way, they may get \$1,000 back. So they're going to pay almost \$300 to have this done to get this \$1,000 only net 700. When they could get that for themselves between 7 to 14 days for free. If you file electronically, the average return is returned to you between 7 and 14 days. One to two weeks. They do it absolutely free.

So, again, if you go to IRS.

>> You have to wait for your W2 to do that.

>> Jacqueline. Yes and no. I'll say I cheat. But I'm a little bit savvy. I am just well versed in all this. Technically because personally I'll tell you, I use TurboTax every year. Now, I do itemize. But it's very, very user friendly. It just asks me a bunch of questions and based on my answers, it prompts me other questions. And I could actually technically take my very last paycheck and base it off of that. And math is my forte, let me tell you. I was very, very good at math. It made sense to me. I'm left brained. One plus one is really two. It makes sense to me. Whereas English, t-o plus t-o-o plus t-w-o. What the heck? To, two, too, is all the same, right? No. It's not. We know that. So English, I mean, I actually write well, but math is always -- I was much better at.

So at any rate, so, yes, so next time at the end of the year when you're getting ready to file your taxes, please go to IRS.gov. Or you can email me. I can put you in touch with Kate Mcnight or you can call others in Marion County in Indianapolis or you can go to these sites and get your taxes prepared for you for free and still get your

money back in a week to no more than two.

If you do it online, TurboTax, you can file federally for free. But it is going to say we want \$15 for you to file the state. Guess what? The State of Indiana is one of the very few states that you can always file the taxes on their website if you just go to www.in.gov/dor. And I think they call it instafire or Efile. You click on that and you can file your state taxes online for them for free regardless of your income.

That means I get all my money back. I don't have to spend any money to get it back. And I get to keep it all. That means I have more money to spend and save. Hopefully save, right?

One more thing I want to talk to you real quickly about. When you go to do your taxes, the nice thing that they do for you now is that they can do these Efiles. And when you file your taxes, most of the time they will say "I want to send the money to my checking account or savings account", you can send it to multiple places. If you have a savings account already established, if you have an IRA already established, if you have other investments already established, you can automatically have them send

it to both. You can split it. It's called split refund. You could say I want 50% to go to my savings, 50% to my checking because I have some bills I want to pay. So make sure you take advantage of that because it's automatic. You have to do nothing at all. All you have to do is tell them and they will do it for you. So you save instantly. And then it takes the process out of things in terms of when you institutionalize a process for savings, the likelihood of you saving is far greater.

This is something sort of interesting. It's sort of off track but I want to -- one of the things I like to talk about is behavioral economics. Do you guys know what I mean by opt-in versus opt-out? Does anyone know what I mean? I'm going to apply to the state. I have gotten a new job. And the state says okay, we have some healthcare. Some benefits 401(K) , IRA, what have you. You have to sign this paperwork and you have to turn it back in to me.

Well, they did a study just a couple years ago. And they looked at this one particular company. And this was an opt-in, meaning they had to sign paperwork, fill it out completely, turn it in, give it to their employer to say yes, I want to be a part of this program. Yes, I want a

401(K) . The percentage of folks that actually turned it in was about a quarter. Only about one quarter of all folks actually opted in. Because, guess what? That took more work, right?

Well, when they took a similar company and they decided to opt out, meaning that as soon as they were employed by that organization, they were automatically enrolled, they had to do nothing, it was part of their initial paperwork, over 80%, the uptake rate was 80%. Meaning only 20% said they don't want to do this versus 25 -- 75% said no, I don't want to do this when it was an opt-in. Why do you think that is? Can anyone tell me why you think that is?

>> Because they don't have to do anything.

>> Because they don't have to do anything, right?
Because when you institutionalize the process, our mind just goes straight to, oh, well, yeah, it sounds like a good idea. Because we don't want to do more work.

It's just like with my checking account, when I get my check each month or every two weeks, a certain certain percentage I have to set up that goes right to my savings. Again, I'm very honest. I'll be honest with you. Had I never done that, I would never save. I really wouldn't.

Unless it gets to the end of the year with my income tax return. Because that takes work for me to go through the pain or go online and switch that money over when I can think of other things to do with it. But when the money is never there, I never know what to do with it, I'm not going to miss it, which means I'm not going to spend it. I went a little off track there but I think it's interesting.

>> We have money management here. First of all I'd just like to say I love Jackie's PowerPoint here. I love these little piggies. Can you imagine what this little piggy is going through with a vice, the grip around him? He's having serious problems on managing his money. That little piggy right there.

But if we put -- again, it's all about control. If we take control over our budgets, then in spending money, now he's on crutches. We must prioritize what we spend.

Like I mentioned, going back again to the budget, I've had people tell me a lot about again the graduation gifts, the birthday gifts, everyday things that we automatically just write the check for, but we do not budget the items. And there are people with large families, birthdays, every month and nothing -- you wonder why at the end of the month

that you don't have anything left, and it's because stopping at the Village Pantry, the extra birthday, how about this? Oh, yes. We stop today. Jackie's vice is she has to have a Diet Pepsi every day.

Speaking of vice, does anyone have to have something every day no matter what?

>> Mountain Dew.

>> Starbucks.

>> But, see, I've changed. I buy the bag. Brew it at home. Travel mug. Works.

Anyone else? There's got to be something you have to have every day.

>> Smokers? Good for you, I'm not encouraging it.

>> My dad smokes every single day.

>> Chocolate.

>> But she coughs.

>> Jacqueline: It's not good for you.

>> So do you stop and buy a chocolate bar every day?

>> No, but I do have to have candy in my house at all times.

>> She loves chocolate. She eats chocolate every day of the week.

>> One thing different but similar. The way I am now, I have to eat my bananas. I brought them up with me so I could eat them here. Stuff I want to eat. Because I'm unfortunately on a diet. Or fortunately, I guess.

>> I think what she's saying is that we can have those vices. Again, I kid you not. If I don't have a Diet Pepsi today, I will have the worst withdrawal. I will have a massive, massive headache. It is just awful. But funny enough, it does nothing for me other than precludes me from -- it manages my pain. I drink it, it doesn't energize me. It does nothing other than it keeps me from having the horrible, horrible headache because I've been addicted to it for so many years.

>> That's the caffeine addiction.

>> Jacqueline: I'm absolutely positively addicted to caffeine.

>> Amen, sister.

>> It is horrible.

>> Jacqueline: This is what I do. This is my vice. I like it really icy cold. So on my way into work, I will stop and get one of these at the gas station. Whereas I could just put one in the freezer and bring it in to work

and that would probably save me half a dollar daily. And that adds up, right?

And so we can still -- what she's saying is we can still have those vices, but we could have alternatives while still keeping within our budget. You better make sure you budget for it because it's a choice I make. I'm not telling you not to smoke. I'm not telling you not to have your Starbucks. But if you're going to do it, make sure you're going to budget for it. What will you give up?

>> Now on a larger scale, when we talk about budgeting, then we talk about the spending and debt. How many in here want a new car this year? Do you know what I've noticed? Jackie laughs at me because we're parking in the Circle Center parking. I get lost. So she took me in one way, we walked back and we got in the car and then we drove out and went around and went in there. But all the while I was lost. I was still looking at the different stores. Now, myself, if I went into a shoe store, I would really, really want to buy a pair of shoes, a pair of boots. Anyone else? Any of you like that? Who loves shoes? Boots?

>> I got a story to tell you. I got big feet. I get my shoes at, I buy two pair of shoes \$157.

>> But do you know what? Going into my next part.
That's what you need. It's not so much a want that makes a difference.

>> Yes. I cannot believe how much my brothers spend on me to get me two pairs of shoes. Wonderful by sports.

>> Does he go to a special store?

>> North Webster.

>> Have you looked online instead?

>> Online? I don't take any chances. I like to go to the store. Got my size, my shoes.

>> So you can try them on right there.

>> Jacqueline: So you make a choice, though, right?
So you may be able to find those exact same shoes a little cheaper, even if you went to Amazon.com.

>> I like Air Nike.

>> So you saw that how many hours.

>> Jacqueline: You were the example earlier.

>> We'll have to tell you a story. How many hours it would take for you to work to buy those shoes.

>> A lot of hours. A lot of hours. 20 hours.

>> It's different if you're a workshop because you don't get paid the same amount you get paid at a regular

job.

>> But I got an outside job.

>> No, but what I'm saying that for those in workshop, they don't get paid a minimum wage. They get paid a certain amount.

>> A fixed income.

>> I do work at outside job at a restaurant.

>> Jacqueline: That's an excellent example, both of you. It makes a big difference if you're on a fixed income.

>> Well I am on fixed income because I do Social Security. But when you're at a workshop, they don't pay you the state hourly rate like you get.

>> Jacqueline: So what she said they don't tell you what it's going to cost. How many hours.

>> You may not get like if you work at a workshop, and they only have a job two days, you only get paid that two days. You are going in there every day.

>> So your hours vary from week to week. So you don't know how much you're going to bring in. It's more difficult to budget then, right?

>> Well just to get you back on track of where I was

going with that is that every time I would walk into a store, it could be shoes, it could be a purse.

>> Might be clothes.

>> It could be clothes. Going to the Village Pantry, that chewing gum or that candy bar, just to give you an example.

I'm trying to put the point across that there are a lot of times where there are things that we want. I want a new pair of shoes. Do I need them? Who wanted that new car? How many raised their hands for the new car? Who needs a new car? Seriously. Who really needs a new car? Could the car be painted? Could we get new tires? New battery?

>> The insurance is so sky high.

>> And that goes back into your yearly budget. It goes right back to that fact.

>> Jacqueline: So what she's saying is that we have all these wants. It's weighing our needs versus -- I need a new car versus a want a new car. In my situation I want a new car. My car's only two years old. But somebody hit it on the side, did not leave me their name and number and insurance, and I don't want to have to claim it on my insurance, so there's a scuff mark. In fact she pointed it

out to me. She said what did you hit? I said I did nothing. They hit me.

>> You won't have a fancy car, the insurance might go up.

>> Jacqueline: My insurance absolutely would go up. That's why I don't claim it, too. Because A, I would have to pay my deductible. But then my insurance will go up. I will just get a new car. No, I won't.

>> Don't have no insurance, you might have to get a ticket.

>> Jacqueline: It's true. In the state of Indiana, you must have at least liability insurance. So we have to weigh our costs of we want something or need something. But are there other alternatives? I want or need my Diet Pepsi because I will get ill. Now, can I get my Diet Pepsi and buy a 12 pack and bring one with me? Yes.

>> But will you?

>> I have been better. I bought. These were on sale at Kroger this week. The 6 pack of these. They were like 4 for \$10. So I bought a 6 pack. And these I keep in the freezer and I've been bringing them with me. Now in this case I ran out when we broke for lunch so I went out and

bought this one. But I have been better. That's a choice. We have to make those choices. There's always alternatives. I won't say always. Because nothing's ever 100%. But there are usually alternatives.

>> There were Diet Pepsis in there earlier. There were Diet Pepsis at the break.

>> Oh really? I wouldn't have bought one. I will go check it out before we leave. I had to run to CVS so I had candy for you guys. It's gone now. Somebody should have said that to me earlier.

>> So going down the line here, we've gone over the money and income, money management, spending and debt, savings and investment.

When Jackie spoke earlier about the IDA program, I'm just going to talk just real quickly on that. The program that I administer at the Boner Center is called an Individual Development Account. And what the participants do in my program, they save. And once they save for a full year, they are rewarded.

Now, in the regular world, if we save, we don't get rewarded the same way. But one of the rewards are to have that extra money for emergencies. Sometimes for that

birthday gift.

So when you say that when you have your budget, you can always put back that extra money somewhere.

>> Can you read that? There's a cartoon up here to the right and on top it says investments and financial planning. And the gentleman to the left is saying to the man behind the desk "I retire on Friday. And I haven't saved a dime. Here's your chance to become a legend."

[Laughter]

But unfortunately this is what people think. They can go into a financial planner and make \$100,000 overnight. I hate to burst your bubble. It rarely happens. It doesn't quite happen like that. We have to think more long term.

>> Saving means not spending money. Like I said a few moments ago about the vehicle, yes, I would like a new vehicle. But, see, I don't really need one. I have a 2000 Ford Focus that I just got last year because my 1991 Tempo went kaput. But I could have driven that Tempo a little longer. But the cost of repairing it at that point was bad. So I got a new car.

Investing is earning a return on your money. When we invest, Jackie, can you give me some good ideas on

investing?

>> Jacqueline: Different investment tools? You have a 529, which is an education savings account. You have a CD, a Certificate of Deposit. You have general investment portfolios where you're buying stocks or you have bonds. Bonds are more secured whereas stocks are going to go up and down and sort of fluctuate, right? There's all sorts of different types of investments that are out there.

The one that you're going to be most familiar with is going to be a money market savings, which is where they give you just a little bit of money on top of your money if you put it into a checking or savings account, but it's minuscule at best. Right? The return is not that great. Because it's a lot safer. You're guaranteed you're not going to lose that money. That's what most people are going to choose because we're afraid.

Now depending upon your age, it's going to, for myself, again I'm 30, so I have it's a good -- at least I wish it was only 20 years when I decide to retire. Probably not. I'm probably looking at 30. Now my father is 56 and he is retired. But then again, he had 30 years in the military, so he has a pension on top of retirement and everything

else. And my dad was very well-planned. I'm just now, I only recently started thinking about saving for retirement.

But there's IRAs, there's 401s, there's 403(B)s if you work for a nonprofit, the equivalent of a 401(K) . In terms of more options? Now you really put me on the spot. I named most of them.

>> Now what is part of the first steps in getting there?

>> Jacqueline: In terms of?

>> I think you're taking over the presentation is what she's doing. Identify your long term goals.

>> Jacqueline: I do that by nature. I apologize.

>> You notice what I was doing. But it almost got there. So anyway, we're going to saving is the first step. One of the first steps is identifying your long-term goals.

When we talk about long-term goals, it doesn't have to be anything like the vehicle it could be a college education. It could be sending a child to college. But any time any of these goals you have to plan, you have to save, you have to budget. We can't always depend on the Lotto. Inheritance. But if we work hard and save, you can get these -- you can do your -- get your goals started at

least.

>> Jacqueline: Can I ask a question, you guys? Is there anyone in here that has sort of a side job? An extra way of making money? That you'd like to share with us. Go ahead. Let's just go around the room.

>> I currently am, little hard to explain. I'm currently a full-time tutor, home schooling three children who are not mine. And then I have another kid I'm doing the same thing with.

>> Jacqueline: So tutoring on your own. Who else? I saw over here. More hands up? Who has sort of a side job?

>> I make pillows. They are a baby pillow. My profit is about \$6 a pillow.

>> I work at a restaurant. I am the dishwasher. And my profit is saving. I got my saving and stuff in the bank.

>> Jacqueline: Good. Who else has a side job on the side just to have a little extra money in the house?

>> I substitute teach.

>> I have a part-time job.

>> Jacqueline: She does. You have like two of them, don't you?

>> I work at Conseco Fieldhouse on the Patriots games and the Legends.

>> What do you guys do with that money?

>> I put it in the bank.

>> Jacqueline: My other volunteers, what else do we do with the extra money?

>> Try to save it.

>> Pay bills.

>> Mine is my personal spending money.

>> That's okay. I was going to say the same thing. It's not so much, I'm talking about standing here saving. I have a 401(K) and I have a couple of savings accounts that come right out of my full-time paycheck. But that is for my gas, my mother's in Muncie. She was just most recently in the beginning of October in a car accident, so I'm going to Muncie once a week. So, yeah, that's what I use mine.

>> I help my kids who are laid off.

>> Jacqueline: Very nice. I have a gentleman that's in Southern Indiana that's on my program. And he's on a fixed income. He gets SSI, SSDI, all that. And to create just a little bit extra earned income actually to

qualify for my program, he collects cans. And he works the polls twice a year. Did all of you know that if you work the polls, you get paid? It's between \$50 and \$100. One day. Just a few hours. Instant money.

>> From 6 a.m. to 6 p.m.

>> Jacqueline: More than just a couple hours. I lied. Yeah, but you can work the polls. That's just once or twice a year. But another way to earn some income.

I have a friend who does graphic design down the street. I have another friend who does DJing on the side. There's all sorts of ways if we think about our talents and things we know how to do or do well, that we can bring in just a little bit of extra income that we can turn around and then save. We got to zip through this. I'm so sorry.

>> Jackie and I got long-winded this time.

>> Jacqueline: I will zip through very quickly for you guys. The risk management. It means knowing, being knowledgeable about saving and investing, knowing about different ways to minimize our risks, whether it's knowledge or insurance or -- all you guys know about the identity fraud agencies that will alert you once a month and let you know if someone has used your Social Security

Number recently, if there's been any hits on your number? That sort of thing. Now it can cost money, it's not free. But in terms of minimizing your risk, that is a tool that's available. So there's all sorts of tools that are available to you to help minimize that risk.

So here's the part that I think you will be most interested in and because we're end of the day and because I was probably more long-winded, I'll go through as quickly as possible but enough time to save and ask for questions.

Okay. So the first program that I am going to talk to you about is my favorite program, of course, because it's mine. I'm a little biased. It's called the Individual Development Account program. What this is is a matched savings program for folks that are below 175% of the federal poverty guidelines. That means I only consider earned income when we qualify for this program. So what that means is if there's anyone in here that's single household, one person, and they make less than \$18,000 in wages or salaries, they're going to qualify for my program. If there's a household of two, you can make about \$25,25,000. If it's house hold, 30,000, so on. If you're interested in knowing what the numbers are, come and talk

to me. But what happens is your role in this program, we ask you to save \$400 a year. That amounts to \$35 a month. At the end of the year we will match you a guaranteed 3 to 1 match rate. That means if you did your work and you saved that \$35 a month, which is doable, right? If I just didn't buy one Diet Pepsi a day, that's my \$35 a month, right? If we save all that money, that means I'm going to give you at least \$1200. I'm going to put it into an account for you and I will do that for four consecutive years. That's a minimum. Historically it's six years. I'll do it each year for four years.

At the end of that time, you can do four things with that money now. You can use it to either further the education of yourself or dependent. So if I have some grandparents in here who have kids that are wanting to go back to college, any type of higher education, you use that money to help pay for it. It will pay for computer, books, tuition.

If you want to buy a home, you can use it for down payment or closing costs for a home. If you want to start or expand a business, you can use it for that. And lastly if you already own your own home, you can use the money to

rehab your home. So for that roof that has to be replaced that, furnace that has to be replaced, you can use the money for that.

It's a great program. It's little known. Because this is a state-funded program, I'll be honest. There's only enough accounts for the state for -- less than 1% of the population actually qualifies. I don't have enough accounts. But if you're interested and you're here in Marion County, you can talk to Sherwyn. She manages the program at the Boner Center. If you want to, you can come talk to me. Any questions quickly about that program? Anybody in here want to apply? All right. Well good.

Who knows what FSS, Family Self-Sufficiency is? No one. Okay. If you're on a Section 8 voucher, then there is a volunteer component to that program which is called FSS, or Family Self-Sufficiency. I'm going to give you a quick example. How it works is let's say the state gives you \$500 a month in a voucher to pay for your house, right? What they do is they encourage you, they do some case management with you. It's a five-year program. They encourage you to work and increase your income. When your income increases, typically when you're not on this

program, what happens is, what? Your voucher amount decreases. You make more money, you will get less. But with this program, let's say I'm now making more money and my voucher is only for \$400. They're going to take the differences, that \$100 and they're going to put it into an escrow account. And it's just going to compound for five years. And as my income continues to grow, my escrow account will continue to grow and that money is yours free when you graduate. I seriously know people that had over \$30,000 in their escrow accounts that they can use for whatever they want.

Now, I'm part of a policy committee for the FSS, and we're getting ready to change that slightly so that you use the money for asset development, education or housing. But as of right now, if you have a Section 8 voucher and you're interested in the program, you need to contact your case manager. Because there's no cost to you. There's no downside. But unfortunately, sadly, as a state, there's less than 1% up take rate. Can you imagine? It costs you absolutely nothing. All they are doing is putting the extra money into an account for you. It's yours, theirs, free. That's what that program is.

Okay. Does anyone known know what the Pass Account is? Do I have any experts on Pass? I'm going to be honest. This is not my area of expertise. Family Self-Sufficiency is under my agency, IDAs. I can talk to you night and day about either one of them. The Pass account, I'm on the Medicare infrastructure Grant Committee. This is something that I learned from Becky Banks.

What this is is if you receive benefits, if you already receive SSI, it's a provision in SSI that will allow you to set aside a certain amount of your money and put it into a Pass account. That money that you set aside is not considered an asset.

So if, for example, you do not qualify for Disability, it's going to decrease that amount that you put in it, which will now actually make you eligible for more money.

So let me give you an example. If you go to the one little page where it has the savers. I'm going to read this out to you. "So Jan Smith receives \$800 in SSDI and qualifies for SSI but she makes too much income to receive a payment. So Jan decides to open up a Pass account. She sets aside \$250 a month from her SSDI and places it into a Pass. Since the Pass funds are not considered an asset, it

actually reduces her income and she's now eligible for the additional SSDI.

>> That's SSI, right?

>> Or eligible for SSI, thank you. Does that make sense to everyone?

And what you use this money for, it does have to be work-related. So if you're looking to either become reemployed, if you're looking whether it's for tuition or whether it's actual work boots if you're a mechanic and you need tools, it has to be somehow work-related. What it says is it's for items or services needed to achieve a specific work goal.

So you have to get with your case manager. You have to actually put out -- it's a little more complicated, these things, from what I understand. You have to actually write out this plan. But it will allow you to increase your income while also saving for a specific goal. Does that make sense?

>> Transportation to get there? Could you buy like transportation? Could you save like for a car?

>> Jacqueline: I think so. Don't quote me on that. I'm not an expert on this particular program.

>> Yes. I understand in the past.

>> Jacqueline: So we have a yes from the audience.

So for the most part, yes. It has to be specific goal. It has to be outlined and approved. But contact your case managers. They can give you more information.

21st Century Scholars. Do any of you have kids? Yes. Are they between the grades of 6th and 8th grade? Anyone? Yes. If you are below the 8,185% of the federal poverty guidelines or your kids are on the federal school lunch program, then your kids can qualify for the 21st Century scholars program if they're between 6 to 8th grade. They pledge to keep a 3.0 grade point average in high school. They will be drug free. If they graduate, the state will pay for four years.

>> Unless it is a private college.

>> If it's a private college, like Notre Dame, it's a reduced subsidy. It will not cover for four whole years.

>> Huntington University does not accept 21st Century Scholars.

>> If you actually go to their website, they have a list of all the colleges. And some colleges -- I'm an RU alum, I will be biased here. But IU Bloomington. But

tuition only. It does not pay for room and board. There's some costs you will have to pay for. But IU Bloomington, they subsidized the entire thing. Again, I'm biased. I love IU.

This is an underutilized. It is free college for your kids. All they have to do is maintain 2.0 GPA.

>> Can't get in any trouble, either.

>> Nothing illegal.

>> How about if they're already in college?

>> They have to be between 6th and 8th grade. It's too late. So this is for the little ones right now.

>> If they pledge they won't get in trouble.

>> What if the kids are home schooled?

>> Jacqueline: Homeschooled unfortunately does not qualify. I don't know why. This is not my program. It's through SASSI. I don't know why they chose no home school.

Market Stabilization Program. How many of you guys are interested in buying a home any time soon? Okay. I'm going to quickly go over this with you. Because of the mortgage meltdown and everything else, there's all this ARRA money that came from the Federal Government to my agency, to IHCDA. They gave it to us. What we did is

developed a program for folks to help pick up all the foreclosed homes that are on the market. If you're below 120% AMI, which I almost guarantee almost everyone of us in here is. 120% AMI for one person is about \$65,000 a year. Most of us will qualify, right? So if you are interested in buying a home, you're below 120% AMI, you can go to www.indianahousingnow.org. And you can look for houses that are foreclosed upon. You can get up to \$15,000 free. You don't have to pay it back. To use towards closing, down payment and possibly some rehab. \$15,000.

It gets better.

If you're also below 80% AMI, which for a single individual I think is about \$33,000 a year, you can get an additional \$10,000 from Federal Home Loan Bank. That means you have \$25,000. The only catch is you have to use it to buy a foreclosed home. To help kick all those off the market.

So it's a great, great program. If you have questions, come and see me afterwards and ask me.

First Home. First Home is another program through IHCD. Essentially if you're a first-time home buyer -- that's defined as a person who hasn't owned a home in three

years. If you're a first-time home buyer, you can qualify for this program to get a below market rate interest.

Now, Jackie, as a person, not Jackie as an IHEDA employee, is going to tell you that I personally don't see this has any merit in this market because interest rates are so incredibly low. It's not really -- this isn't going to benefit you much. But in a couple years, this program will still be around, if that changes, this is still out there.

First Home Plus is the same program where you get that below market rate interest, plus you can get down payment assistance up to \$7500.

Now, it's not free money. Once you sell your house, you have to pay that back. But if you don't have down payment ready and you're wanting to get into a house, it doesn't have to be foreclosed upon like the MSP program. This is a resource that is available to you.

>> Is there a time constraint on when you sell your house? If you stay in the house for 10 years?

>> With First Home Plus, no. You have to pay it back regardless. With MSP, you do have to be in the house for 10 years. Thank you for asking that.

The MCC, this is the -- I just bought my home about a year and a half ago. This is the program that I used. You have to be below 120% of AMI, which again is for a single individual, roughly \$65,000 a year. What it does is when we pay our mortgages, when we buy a house, we'll make a mortgage payment. And the mortgage payment will consist of PITI, which is principal, interest, taxes and insurance. We always pay interest, right? So what it does is it allows you to receive up to between 20 and 35% of the interest that you pay on your mortgage annually as a federal refundable credit.

So to put it in perspective for you, with my home, let's say I paid \$5,000 a year in interest on my mortgage payment throughout the year, because my -- the house I bought is a higher valued house, I get 20%. So 20% of \$5,000 is 1,000. Right? \$1,000. I get that as a credit, not a deductible, a credit on my federal taxes and it's refundable to me. I claimed zero throughout the year as my exemptions. I filed 1 at the end. So I don't really get a large income tax return. For example, I get \$3500 back at the end of each year. I get an additional \$1,000 on top of that. That's for the life of the loan. So it means it's

money in your pocket every year.

And that's it. Any questions? I'm sorry we had to hurry through the end. We got a little chatty up here. Mostly me. I'll take the blame. Are there any questions? None. If you have any, you can come see me.

On behalf of me, I really would like to thank you for bearing with us and staying here and participating. I'm glad that you decided to talk with us instead of going to yoga because I know everybody went to yoga. If you need some cards, I have cards up here as well as some literature on the IDA program if you're interested. But thank you very much. I hope you guys at least got useful information on this.

>> I just wanted to let everyone know, I did not bring my cards. But there's my information. That is my direct line.

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